

UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

In re: Gottschalks, Inc.

Case No. 09-10157 (KJC)
Reporting Period: May 30, 2010 - July 3, 2010

MONTHLY OPERATING REPORT

File with Court and submit copy to United States Trustee within 20 days after end of month.

Submit copy of report to any official committee appointed in the case.

REQUIRED DOCUMENTS	Form No.	Document Attached	Available Upon Request	Affidavit/Supplement Attached
Schedule of Cash Receipts and Disbursements	MOR-1	X		
Bank Reconciliation (or copies of debtor's bank reconciliations)	MOR-1a		X	
Schedule of Professional Fees Paid	MOR-1b	X		
Listing of bank account numbers and balances		X		
Cash disbursements journals		X		
Statement of Operations	MOR-2	X		
Balance Sheet	MOR-3	X		
Status of Postpetition Taxes	MOR-4	X		
Copies of IRS Form 6123 or payment receipt		N/A		
Copies of tax returns filed during reporting period		N/A		
Summary of Accounts Payables	MOR-4	X		
Accounts Receivable Aging		N/A		
Debtor Questionnaire	MOR-5	X		

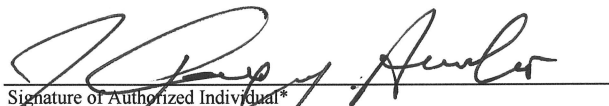
I declare under penalty of perjury (28 U.S.C. Section 1746) that this report and the attached documents are true and correct to the best of my knowledge and belief.


Signature of Debtor

7/22/10
Date

Signature of Joint Debtor

Date


Signature of Authorized Individual*

7/22/10
Date

J. Gregory Ambro
Printed Name of Authorized Individual

Executive Vice President and Chief Operating Officer
Title of Authorized Individual

*Authorized individual must be an officer, director or shareholder if debtor is a corporation; a partner if debtor is a partnership; a manager or member if debtor is a limited liability company.

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SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS [1]

	BANK ACCOUNTS						CURRENT MONTH		FILING TO DATE
	GEN OPER.	STORE WORKING FUNDS	UTILITY DEP	SALES TAX	PROF FEES RESERVE	ALASKA	ACTUAL	PROJECTED [2]	ACTUAL
CASH (LOAN BALANCE) BEGINNING OF MONTH	\$ 10,856	\$ -	\$ 281	\$ -	\$ -	\$ -	\$ 11,137	\$ 9,591	\$ (68,811)
RECEIPTS									
CASH SALES		-					-	-	83,387
CREDIT CARD RECEIVABLES		-					-	-	20,495
LOANS AND ADVANCES		-					-	-	
SALE OF ASSETS		-					-	-	117,620
OTHER RECEIPTS	9						9	-	69,047
TRANSFERS (FROM DIP ACCTS)							-	-	
TOTAL RECEIPTS	\$ 9	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9	\$ -	\$ 290,549
DISBURSEMENTS									
ADVERTISING		-					-	-	3,223
MERCHANDISE (INCLUDING FREIGHT)		-					-	-	53,228
RENT	76						76	81	14,390
PAYROLL, PAYROLL TAXES, AND BENEFITS	70						70	62	50,935
UTILITIES	7						7	14	4,725
INSURANCE	1						1	-	1,114
SALES AND OTHER TAXES		-					-	-	33,059
GENERAL OPERATING	15						15	24	8,710
FINLAY LICENSE		-					-	-	11,814
FINANCING EXPENSES		-					-	-	3,524
PROFESSIONAL FEES	1,302						1,302	210	17,530
OTHER		-					-	-	7,685
TOTAL DISBURSEMENTS	\$ 1,471	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,471	\$ 391	\$ 209,937
DRAW ON LC		-					-	-	4,648
ADJUSTMENTS		-					-	-	2,522
NET CASH FLOW	\$ (1,462)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,462)	\$ (391)	\$ 78,486
(RECEIPTS LESS DISBURSEMENTS)									
CASH (LOAN BALANCE)- END OF MONTH	\$ 9,394	\$ -	\$ 281	\$ -	\$ -	\$ -	\$ 9,675	\$ 9,200	\$ 9,675

[1] The cash balances and activity on this schedule represents the following balance sheet items: Unrestricted Cash and Cash Equivalents, Restricted Cash and Cash Equivalents, and Revolver Line of Credit. The balance of the revolver line of credit as of 7/3/10 was \$0.

[2] "Projected" amounts reflect projections per the winddown budget.

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES PAID

This schedule is to include all retained professional payments from case inception to current month.

(Actual \$)

PAYEE	PERIOD COVERED	DATE OF COURT ORDER AUTHORIZING PAYMENT	AMOUNT APPROVED	AMOUNT PAID		TOTAL PAID TO DATE		TOTAL INCURRED AND UNPAID
				FEES	EXPENSES	FEES	EXPENSES	
O'Melveny & Meyers	5/30/10 to 7/3/10	6/7/10, 6/24/10	799,627	754,887	44,740	5,976,927	196,823	600,391
FTI Consulting	5/30/10 to 7/3/10	6/11/2010	181,644	181,244	400	2,989,958	132,806	45,311
Richards, Layton & Finger	5/30/10 to 7/3/10	5/25/10, 6/21/10	31,970	29,023	2,947	837,176	62,358	46,594
Kurtzman Carson Consultants	5/30/10 to 7/3/10	n/a	n/a	17,291	23,800	1,076,411	146,698	31,205
Cooley Godward Kronish	5/30/10 to 7/3/10	6/3/10, 6/14/10	87,478	79,885	7,593	778,457	30,833	83,955
Loughlin Meghji & Company	5/30/10 to 7/3/10	6/16/2010	11,144	11,144	-	804,397	824	58,556
Benesch	5/30/10 to 7/3/10	6/16/2010	1,153	969	184	151,953	3,547	6,311
GE Capital Third Party Legal [1]	5/30/10 to 7/3/10	n/a	n/a			578,731	5,505	-
Financial Dynamics	5/30/10 to 7/3/10					29,377	-	-
Other	5/30/10 to 7/3/10	5/25/10, 6/23/10	9,875	9,710	165	215,683	717	6,868
TOTAL PAYMENTS TO PROFESSIONALS			\$ 1,122,891	\$ 1,084,153	\$ 79,829	\$ 13,439,070	\$ 580,111	\$ 879,191

[1] Amounts paid to GE Capital's legal advisors represent disbursements related to advisory work on the Credit Agreement.

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STATEMENT OF OPERATIONS - Income Statement

The Statement of Operations is to be prepared on an accrual basis. The accrual basis of accounting recognizes revenue when it is realized and expenses when they are incurred, regardless of when cash is actually received or paid.

REVENUES	Month (\$ in 000's)	Cumulative Filing to Date (\$ in 000's)
Net Sales	-	93,101
Net Leased Department Revenue	-	1,791
Net Credit Revenue	-	1,758
Total Revenues	-	96,650
COST OF GOODS SOLD		
Cost of Goods Sold	-	73,936
Gross Profit	-	22,714
OPERATING EXPENSES		
Advertising	-	2,108
Bad Debts	-	61
Contributions	-	9
Employee Benefits Programs	10	2,375
Insider Compensation	54	1,332
Insurance	14	1,395
Repairs and Maintenance	(1)	1,441
Rent and Lease Expense	76	4,716
Salaries/Commissions/Fees	23	21,661
Supplies	-	1,920
Taxes	32	3,882
Travel and Entertainment	-	132
Utilities [1]	(10)	1,636
Other (attach schedule)	11	97,610
Total Operating Expenses Before Depreciation	209	140,278
Depreciation/Depletion/Amortization	12	5,433
Net Profit (Loss) Before Other Income & Expenses	(221)	(122,997)
OTHER INCOME AND EXPENSES		
Other Income (attach schedule)	(40)	(4,228)
Interest Expense	-	1,656
Net Profit (Loss) Before Reorganization Items	(181)	(120,425)
REORGANIZATION ITEMS		
Professional Fees	451	14,853
U. S. Trustee Quarterly Fees	3	106
Other Reorganization Expenses (attach schedule)	-	2,809
Total Reorganization Expenses	454	17,768
Income Taxes	-	76
Net Profit (Loss)	\$ (635)	\$ (138,269)

[1] Includes an adjustment on the final utility invoice for the Eureka, CA building sold in May 2010.

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STATEMENT OF OPERATIONS - continuation sheet

BREAKDOWN OF "OTHER" CATEGORY	Cumulative	
	Month (\$ in 000s)	Filing to Date (\$ in 000s)
Other Operational Expenses		
Services Purchased	5	5,634
Unclassified	(1)	(1,120)
Communications	2	674
Postage	0	223
Professional Fees	5	9
Costs capitalized under Uniform Capitalization Rules [1]	0	(1,099)
Loss on Sale of Assets	0	93,245
Store Closure Costs	0	44
Total Other Operational Expenses	11	97,610
Other Income		
Rental income	(3)	(135)
Miscellaneous income [2]	(37)	(4,093)
Total Other Income	(40)	(4,228)
Other Reorganization Expenses		
Amortization of DIP loan fees	0	2,809
Total Other Reorganization Expenses	0	2,809

[1] Uniform Capitalization Rules require capitalization of certain indirect buying, handling and distribution costs to align these costs with the related sales.

[2] Miscellaneous income includes \$35K receivable due from HSBC related to Gottschalks' share of the bad debt sales tax deduction from the California Board of Equalization.

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BALANCE SHEET

The Balance Sheet is to be completed on an accrual basis only. Pre-petition liabilities must be classified separately from postpetition obligations.

ASSETS	BOOK VALUE AT END OF CURRENT REPORTING MONTH (\$ in 000's)	BOOK VALUE PETITION DATE (\$ in 000's)
CURRENT ASSETS		
Unrestricted Cash and Equivalents	\$ 9,266	\$ 7,408
Restricted Cash and Cash Equivalents [1]	281	-
Accounts Receivable (Net)	2,887	2,944
Inventories	-	126,552
Prepaid Expenses (attach schedule)	1,829	3,849
Professional Retainers	320	493
Other Current Assets (attach schedule)	6,625	8,216
TOTAL CURRENT ASSETS	\$ 21,208	\$ 149,462
PROPERTY AND EQUIPMENT		
Real Property and Improvements	-	60,652
Machinery and Equipment	-	61,313
Furniture, Fixtures and Office Equipment	-	89,942
Leasehold Improvements	3,981	65,463
Vehicles	-	420
Construction in progress	-	2,187
Less Accumulated Depreciation	(2,448)	(151,228)
TOTAL PROPERTY & EQUIPMENT	\$ 1,533	\$ 128,749
OTHER ASSETS		
Loans to Insiders	-	-
Other Assets (attach schedule)	2,877	5,166
TOTAL OTHER ASSETS	\$ 2,877	\$ 5,166
TOTAL ASSETS	\$ 25,618	\$ 283,377
LIABILITIES AND OWNER EQUITY	BOOK VALUE AT END OF CURRENT REPORTING MONTH	BOOK VALUE PETITION DATE
LIABILITIES NOT SUBJECT TO COMPROMISE (Postpetition)		
Accounts Payable	3	
Taxes Payable (refer to FORM MOR-4)	998	
Wages Payable	9	
Rent / Leases - Building/Equipment	1,289	
Secured Debt / Adequate Protection Payments	-	
Professional Fees	879	
Amounts Due to Insiders	22	
Other Postpetition Liabilities (attach schedule)	17,642	
TOTAL POSTPETITION LIABILITIES	\$ 20,842	-
LIABILITIES SUBJECT TO COMPROMISE (Pre-Petition)		
Secured Debt	990	76,069
Priority Debt	-	37
Unsecured Debt	53,116	54,533
Other Pre-petition Liabilities (attach schedule)	293	64,099
TOTAL PRE-PETITION LIABILITIES	\$ 54,399	194,738
TOTAL LIABILITIES	\$ 75,241	194,738
OWNER EQUITY		
Capital Stock	137	137
Additional Paid-In Capital	78,007	78,002
Retained Earnings - Pre-Petition	11,987	11,987
Retained Earnings - Postpetition	(138,267)	
Adjustments to Owner Equity (attach schedule)	(1,487)	(1,487)
NET OWNER EQUITY	(49,623)	88,639
TOTAL LIABILITIES AND OWNERS' EQUITY	\$ 25,618	\$ 283,377

[1] Restricted Cash and Cash Equivalents represents cash held in a separate account for utility adequate assurance.

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BALANCE SHEET - continuation sheet

ASSETS		BOOK VALUE AT END OF CURRENT REPORTING MONTH (\$ in 000's)	BOOK VALUE PETITION DATE (\$ in 000's)
Prepaid Expenses			
	Prepaid insurance	66	1,167
	Workers compensation prepaid	1,739	889
	Prepaid advertising	-	219
	Prepaid health and other	24	122
	Prepaid rent	-	-
	Prepaid expenses	-	1,094
	Prepaid property taxes	-	358
	Total Prepaid Expenses	1,829	3,849
Other Current Assets			
	Supplies	-	1,534
	Workers compensation reserves	6,118	6,118
	Deferred loan fees	-	4
	Other receivables	507	373
	Salary support receivable	-	184
	Other	-	3
	Total Other Current Assets	6,625	8,216
Other Assets			
	Intangibles - lease rights	-	813
	Investment in partnership	1,861	1,810
	Deposits	1,016	-
	Straightline lease	-	2,543
	Prepaid rent	-	-
	Total Other Assets	2,877	5,166
LIABILITIES AND OWNER EQUITY		BOOK VALUE AT END OF CURRENT REPORTING MONTH	BOOK VALUE PETITION DATE
Other Postpetition Prepetition Liabilities			
Other Postpetition Liabilities			
	Accrued expenses	2,822	
	Gift and merchandise cards	3,595	
	Vacation payable	34	
	Payroll deductions payable	-	
	Sales return reserve	-	
	Workers compensation insurance reserves	6,118	
	Other insurance reserves	329	
	Deferred revenue	-	
	Deferred rent	-	
	Intangibles - lease rights	-	
	Fin 48 liability	1,008	
	Deferred taxes	3,736	
	Capital leases	-	
	Total Other Postpetition Liabilities	17,642	
Other Prepetition Liabilities			
	Accrued expenses		5,162
	Gift and merchandise cards		7,738
	Sales and payroll taxes payable		10,495
	Wages payable		2,030
	Vacation payable	25	2,990
	Payroll deductions payable		304
	Accrued accounting fees	151	520
	Pension liability	97	97
	Other accruals prepetition	20	599
	Store party fund	-	63
	Vendor supported events	-	220
	Sales return reserve		1,663
	Workers compensation insurance reserves		6,118
	Other insurance reserves		259
	Deferred revenue		6,699
	Deferred rent		5,466
	Intangibles - lease rights		208
	Fin 48 liability		1,008
	Deferred taxes		3,512
	Capital leases		8,948
	Total Other Prepetition Liabilities	293	64,099
Adjustments to Owner Equity			
	Treasury stock	(1,487)	(1,487)
	[1] Represents reserves that are reevaluated on a quarterly basis.		
	[2] Represents employee programs that were continued postpetition per Court order.		

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STATUS OF POSTPETITION TAXES

The beginning tax liability should be the ending liability from the prior month or, if this is the first report, the amount should be zero.
Attach photocopies of IRS Form 6123 or payment receipt to verify payment or deposit of federal payroll taxes.
Attach photocopies of any tax returns filed during the reporting period.

(Actual \$)

	Beginning Tax Liability	Amount Withheld or Accrued	Amount Paid	Ending Tax Liability
Federal				
Withholding	6,498	19,730	(19,613)	6,615
FICA	2,027	6,135	(6,107)	2,055
Unemployment	-	-	-	-
Total Federal Taxes	\$ 8,525	\$ 25,865	\$ (25,720)	\$ 8,670
State and Local				
Withholding	2,420	7,352	(7,306)	2,466
Sales & Excise	-	-	-	-
Unemployment	-	-	-	-
Real Property	471,416	18,126	(2,637)	486,905
Personal Property ^[1]	499,580	-	-	499,580
Workers Compensation	-	-	-	-
Other: Local	-	-	-	-
Total State and Local	973,416	25,478	(9,943)	988,951
Total Taxes	\$ 981,941	\$ 51,343	\$ (35,663)	\$ 997,621

^[1] Personal Property Taxes are paid on an annual basis.

* Copies of tax returns are available upon request.

SUMMARY OF ACCOUNTS PAYABLE

Attach aged listing of accounts payable.

Note: The Company does not analyze or prepare the aging of its accounts payable.

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ACCOUNTS RECEIVABLE AGING

Accounts Receivable Aging	Amount
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Note: The Company does not analyze or prepare the aging of its accounts receivable.

DEBTOR QUESTIONNAIRE

Must be completed each month	Yes	No
1. Have any assets been sold or transferred outside the normal course of business this reporting period? If yes, provide an explanation below.		X
2. Have any funds been disbursed from any account other than a debtor in possession account this reporting period? If yes, provide an explanation below.		X
3. Have all postpetition tax returns been timely filed? If no, provide an explanation below.	X	
4. Are workers compensation, general liability and other necessary insurance coverages in effect? If no, provide an explanation below.	X	
5. Has any bank account been opened during the reporting period? If yes, provide documentation identifying the opened account(s). If an investment account has been opened provide the required documentation pursuant to the Delaware Local Rule 4001-3.		X